

Unitil Proposed Arrearage Management Program

I. Goals of the Program

The Arrearage Management Program will offer customers of Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil”), immediate relief to reduce their current and future energy burdens through flexible payment arrangements, arrears forgiveness, budget counseling services, and home weatherization and other energy efficiency initiatives. The program is intended to provide relief and education to income eligible customers that will ultimately result in the customer’s ability to better manage their electric and/or gas payments more effectively.

II. Program Description

This program will be designed to accommodate all residential gas and/or electric customers of Unitil, who are eligible for Unitil’s discount rate, with: (1) assistance in paying overdue electric bills (“assistance”); (2) the opportunity to participate in the Company’s energy efficiency program on a priority basis; and (3) budget counseling services (“counseling”). The program will be implemented by the fuel assistance program agencies (“Agencies” or “Agency”) in Unitil’s service area.

Eligible customers will be offered a “current bill” or “level payment” payment

arrangement that is mutually agreed upon by the Agency and Unitil. Assistance includes: (1) arrearage forgiveness of \$100 to \$600 per year per customer or other amounts mutually agreed to by the agencies and Unitil, to be paid in installments in a manner calculated to encourage regular payment patterns, as determined by the Agencies, in consultation with Unitil as necessary; (2) reasonable payment plans negotiated (and renegotiated where that will provide a reasonable opportunity to

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complete a payment plan) with Unitil, over an extended period where a customer is willing and able to make a regular payment; (3) designation of a Unitil representative for negotiation of payment plans; and (4) immediate notice to the referring Agency when a customer misses a payment plan payment, and suspension of collection activity with respect to such a customer for a minimum of 30 days. Counseling includes Unitil training of the agencies to provide basic budget counseling to customers, the Agencies providing such basic budget counseling, and Unitil providing advanced budget counseling for those customers identified by an Agency as requiring such advanced budget counseling in order to successfully complete the program.

III. Eligibility Criteria

To be eligible, a customer must meet the following:

- ? Be a residential customer of record with Unitil.
- ? Have income at or below 200% of the federal poverty level.
- ? Must agree to participate or provide documentation of past participation in a Unitil Energy Efficiency program unless the Agency, in consultation with Unitil determines that efficiency measures would not be cost effective,
- ? Must apply for and receive fuel assistance.
- ? Have arrearage of at least \$100 that is over sixty days in arrears.
- ? The customer's gas or electric service has not been disconnected for nonpayment.

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- ? Has not been dropped from the Arrears Management Program in the past 12 months due to nonpayment.

IV. Implementation

The program will be implemented by the fuel assistance program Agencies in Unitil's service territory, to which Unitil will pay a fee, subject to the acceptance of the Agency.

Unitil's role includes the following:

- ? Work with Agencies to identify customers for the program.
- ? Refer customers to the Agencies for full participation in the program.
- ? Collaboration with Agencies to determine acceptable payment amounts and payment terms for the participants.
- ? Apply agreed upon arrears forgiveness credits toward the participant's balance on a monthly basis.
- ? Provide necessary annual training to Agency credit counselors which may include techniques, program objectives and requirements and energy efficiency program changes.
- ? Provide customer information and reports as required.
- ? Collaborate with Agency to develop necessary promotional materials.

The Agency's role includes the following:

- ? Assist program participants with negotiating acceptable payment amounts and terms, if necessary, with Unitil.
- ? Refer clients to appropriate Energy Efficiency education programs.

? Assist participants in managing their debt through appropriate budget counseling services.

Unitil also recognizes the value of collaborating with the Department of Transitional Assistance (DTA) to offer their clients the ability to use the DTA to make direct “guaranteed” payments to Unitil. Unitil will establish a “level payment” payment arrangement. The participant would authorize the DTA to make automatic payments to Unitil and the DTA would process all payments automatically to Unitil. This method ensures the customers remain on the program and receive the appropriate arrears forgiveness benefits each month.

V. Program Costs

Unitil proposes to handle the costs of implementation and operation of the program in accordance with standard regulatory and accounting practices with no special treatment. Costs of program operation including staff time, agency administrative participant costs and program delivery costs will be treated as operating expense, part of the company’s normal credit and collection activity. Any customer arrears that are forgiven under this program will be accounted for in the same manner as customer arrears that are written off in accordance with the company’s standard practices. For example, the gas commodity cost-related customer arrears bad debt will be collected and recovered on a reconciling basis through Unitil’s CGAC tariff. Similarly, Unitil also plans to seek recovery of electric commodity related bad debt as a component of default service costs. The non-commodity portion of bad debt would be treated as a base rate cost and included in the distribution cost of service

at the time of its next base rate proceeding, along with other program administrative costs.

VI. Current Arrearage Management Pilot Program

Unitil agreed to implement an arrearage management pilot program as part of a settlement agreement in D.T.E. 05-29. The pilot program was designed to accommodate 200 gas and/or electric customers. There are no customers enrolled into the program currently, due to Agency administrative budget issues. We anticipate these issues to be resolved by January 6, 2006 and customers will be enrolled into the pilot program on or shortly thereafter. The Pilot Program will be subsumed by the Arrearage Management Program once approved. At that time, to the extent that there may be conflicts between the terms of the Pilot Program and the Arrearage Management Program, the provisions of the new program shall govern.

VII. Budget Billing Plan

In addition to the proposed Arrearage Management Program, Unitil offers all non-delinquent customers an opportunity to participate in the budget billing plan. The budget billing plan, which runs from September through August of each year, is a levelized payment arrangement whereby the customer's charges are estimated based on historical, current and future usage and rate information, and billed on a monthly basis. Periodically throughout the budget season the budget amount is reviewed to ensure actual charges are keeping pace with actual usage. If the budget amount needs adjusting, the customer is notified in advance of the change. In August, at the

conclusion of the budget season, the actual charges versus the amount paid are reconciled. The Company has mailed letters to all non-delinquent residential customers, not currently enrolled in the budget billing plan, informing them of the opportunity to enroll in the budget billing plan, or to establish a regular payment arrangement. All letters were customized to include the calculated budget amount.